

January 30, 2006

Mr. Kenneth R. Payne
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U.S. Department of Agriculture
Agriculture Marketing Service
Room 2638-S, Stop 0251
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Re: Docket number LS-05-07, concerning the Soybean Promotion and Research Order (7 CFR 1220)

Mr. Payne,

I want to thank you for providing this opportunity to comment on the Soybean Promotion and Research Order. For the past 12 years I have had a great deal of interaction the United Soybean Board and the National Soybean Checkoff. Through involvement at both the state and national level in soybean producer organizations, and ultimately as President of the American Soybean Association, I feel that I have intimate knowledge of the soybean checkoff program and thus felt compelled to comment on my concerns with the operation of the program. My farmer-leader predecessors at the American Soybean Association were actively laying the groundwork for the creation of a national checkoff program during the late 1980's. The goal was to create a more coordinated effort in international marketing, domestic promotions and research with increased funding levels. The work of these leaders led to the eventual passage of The Soybean Promotion, Research, and Consumer Information Act (7 U.S.C. 6301-6311) on November 28, 1990. Soybean leaders in the early 1990's worked closely with Congress, USDA, and the Agricultural Marketing Service to fully implement this legislation, which began assessments on September 1, 1991. The United Soybean Board was created to coordinate and administer the 50% of collections that states provided the national program and Qualified State Soybean Boards (QSSB's) administered the state portion.

There have been many successes for American soybean producers that can be directly traced to their investment in a soybean checkoff program. Research investment in soybeans has expanded due to leveraged investment of farmer checkoff dollars. The groundwork for recent legislative victories that will expand usage of soybean biodiesel was created with farmer checkoff investment in the technical work and necessary performance testing of biodiesel fuel. The success of ASA's International Marketing effort, funded by leveraging farmer checkoff dollars with Foreign Agriculture Service (FAS) grants, has an enviable record of creating and expanding markets for U.S. soybeans and has always been identified as a model program by the FAS.

While the record of success is commendable and I am still a strong advocate of checkoff programs, I have long felt that the rules and subsequent implementation have hindered the potential of the National Soybean Checkoff. The current program falls far short of the vision of those who planted the seed and nurtured the development of a national program.

Some of my most serious concerns are outlined as follows:

- There is an overwhelming need to provide accountability to soybean producers by subjecting the United Soybean Board to periodic review and audit. The United Soybean Board currently audits QSSB's (Qualified State Soybean Boards) and the 50% of collections that remain in states, and states should have the ability to audit the 50% of collections that are administered by USB. An audit and annual report to producers and state programs should be expected from an organization that is administering funds on behalf of producers who are compelled by law to contribute. More transparency in budgets and project funding is necessary to regain farmer confidence.
- Restore legitimacy to the United Soybean Board by allowing directors to be elected by soybean farmers, as many of the QSSB's currently do. The current system of appointment by the Secretary of Agriculture does not create a constituency for directors and removes the accountability of a director to those producers whom he represents. Under the current appointment system, many USB directors feel more responsibility to the USDA than the farmers whom they actually represent.
- There should be strict adherence to a cap on administration costs. The legislation set in place a 5% cap on administration in keeping with the original intent that USB was to be a coordinating body. The current USB structure incorporates administrative costs far beyond the 5% level into contract arrangements with project subcontractors.
- A simplified, straightforward process for producer referendum would also restore producer confidence in the program. The current polling process is cumbersome, confusing, and ill timed. The most recent polling period was established during spring planting season, a time of year that guarantees low participation by farmers. An additional concern of the polling process is the inordinately high number of soybean farmers established as the reference number for determining the percentage of referendum requests. Only the actual number of producers paying checkoff assessments should be counted in determining the number of soybean producers for this purpose.
- An examination of refund provisions would be appropriate in light of questions surrounding checkoff programs and recent and pending litigation. If the program is properly administered and tangible results are realized, producer requests for refunds are historically very low.
- The use of contract employees as project advisors creates a severe conflict of interest scenario. It should come as no surprise that these advisors frequently recommend rewarding contracts to the very firms to which they are employed. Competitive bidding should be required for checkoff-funded projects.

With my eldest son returning to the farm this May following college graduation, I have a vested interest in the future of farming and a strong desire that this 7th generation of my family to farm the original family homestead succeed. A strong program is needed to facilitate research, promote soybeans effectively, and provide the kind of International Marketing assistance to maintain the profitability of American soybean farmers. I don't believe that the current program can fulfill this need without some structural and organizational modifications. Very few legislative concepts get all of the details right in their primary form, and changes are necessary to achieve the desired goals. The Soybean Checkoff is an example of a concept with considerable merit that needs some adjustment to provide for a more efficient, more transparent, and more accountable program for America's soybean farmers.

Again, I appreciate the opportunity to present my views during this public comment period and feel that a thorough examination of the soybean checkoff is appropriate at this time. Global competition and a changing oilseed industry make it imperative that we are served by the most efficient and effective program, and that farmer dollars are utilized in the most productive manner.

Respectfully,

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